

## Can Steve Krausz Repeat His Success with Check Point?

[July 10<sup>th</sup> 2005] -- The brothers Nir and Eli Bareket – owners of the software company which later became BRM Capital – are usually identified with the most successful venture capital investment in Israeli company: Check Point Software Technologies (CHKP). However, U.S. Venture Partners (USVP) and Venrock Associates, had also managed to gain an enormous profit from the investment in Check Point, after the investment of the Bareket brothers and before the company became public. These two funds belong to a small group of the best U.S. venture capital funds, with successful enterprises such as Sun Microsystems and SanDisk.

Steve Krausz, one of the General Partners of USVP since the mid-eighties and was involved in the investment in Check Point, sees this internet security giant as another datum point in his increasing interest in the Israeli technology, and as a success on U.S. scale. He said: “It was, without a doubt, a very successful exit and one of our best investments. As far as doubling the profit, Check Point is one of the four of our best investments till this day. This is one of the reasons I’m visiting Israel, I’m looking for more companies like Check Point.”

Nowadays, Krausz is trying to recreate his success with Check Point with the aid of one of its founders – Shlomo Kramer, who founded Imperva, in which USVP had invested a few years ago. Imperva completes, and at certain points even competes with Check Point for security solutions and active firewalls. Out of more than 370 start-up companies which USVP has invested in, 67 have completed initial public offerings and many others were sold.

Krausz is aware of the competition between the U.S. funds in Israel. “There are a lot of American funds here, and some of them already operate in Israel. It creates a competition for the best investment. On the other hand, competition means that there is a lot to offer and a lot to invest in, which is good.”

Last November, USVP closed its ninth fund with \$600 million. This amount is considered very large in the scale of American venture capital fund industry, as opposed to the other funds in Silicon Valley, such as Sequoia or Kleiner Perkins, which close their funds with a mere \$300 million.

“We continue to observe the investments in the young companies, which are about 70% of our investments. Roughly 5% of our investments will be placed outside Silicon Valley. Israel is expected to have a large representation that will consist of 2-3 Israeli companies in Israel, and another 3-4 Israeli companies that will operate from the U.S..” One of the most outstanding companies that USVP had invested in is Mellanox, which deals with InfiniBand Computing. Mellanox sales are estimated at \$20 million per year, and the company is expected to go public next year.

Krausz came to the venture capital investment industry from an unexpected direction: after Stanford, he went to work at NASA. He managed to visit several High-Tech companies, such as Daisy, which was founded by Israelis. In 1985, he landed at USVP offices in the Silicon Valley. He is considered one of the most outstanding investors of the U.S. since, and in 2003, he was recognized by Forbes with a ranking of #6 on its list of top venture capitalists. He is currently the Treasurer of the NVCA and serves on the executive committee of the NVCA Board of Directors.

### **In Israel, everything changes fast**

“When I joined the venture capital investment community in 1985, it was very much like Israel today. There was a mutual cooperation and everybody knew everybody. There were almost no institutional investments, like in Israel today. From this point of view, I feel like a venture capital investor on each of my visits, it brings me back. Things have changed of course; I suppose they will change in Israel too, not to mention that in Israel everything changes very fast. We have a very strong connection with Israeli entrepreneurs in the U.S., such as Eli Harari from SanDisk and others. It is an inseparable part of the Silicon Valley.”

Krausz said that even at the recession periods in Israel from the security point of view, during which there was a crisis in the U.S., his fund never stopped believing in Israel. “We have a good history together, both with Check Point and Israeli entrepreneurs like Harari. We’ve never changed our minds in the rough 2002-2003 period, because we considered those years the best for investment.”

Some Israeli funds claim that the U.S. investors that come to Israel, artificially raise the value of the start-up companies to match the standards of the Silicon Valley. Do you feel it?

I’ve heard such claims. Capital investments do not always match with efficiency. There is the same problem in Silicon Valley. Israel is known as a country which has high efficiency of expenses, that’s one of the reasons we’re here.”